

The matter was fully noticed, however, no intervention or protests resulted. Accordingly, expedited review is granted, and the public hearing required in Regulations 103-504 and 103-704 is waived. TESI filed written verified testimony with its request for expedited review. The testimony of Paul E. Maeder, Chief Executive Officer of TESI, gives a good history of the situation in the case at bar. Mountain Bay was part of a large Johnson Properties, Inc. bankruptcy case filed in the Bankruptcy Court in Louisiana. On or about August 10, 1999, TESI filed a Notice of Appearance and Request for Notice in

Case No. 99-10437 in that Court. Since that time TESI participated actively in the case. On June 28, 2000, TESI submitted a bid of \$3,450,000 for the purchase of all of Johnson Properties, Inc.'s assets, which are located in six states. These assets included portions of the Mountain Bay Estates Utility Company, Inc. That bid was accepted by the Trustee in Bankruptcy on July 14, 2000. The Trustee and TESI jointly proposed a liquidating Plan of Reorganization wherein the Trustee proposed to sell the assets of Johnson Properties to TESI for the \$3,450,000 purchase price (the Plan). As the result of a hearing on September 15, 2000, the Bankruptcy Court confirmed the Plan.

According to Maeder, TESI has arranged permanent financing so as to be able to not only purchase the assets, but to repair and renovate them. This financing comes pursuant to a commitment from the National Cooperative Services Corporation (NCSC). In addition, NCSC has committed to underwrite the bond requirement through the issuance of an irrevocable letter of credit. This letter would be guaranteed by NCSC's parent corporation, the National Rural Utilities Cooperative Finance Corporation.

Maeder further states that the sale of the Johnson Properties assets will close contingent upon TESI receiving the approval of all of the various state agencies involved in TESI's ownership and operation of the various facilities.

With regard to TESI's qualifications to operate a drinking water system and wastewater collection and treatment system, Maeder notes that TESI's parent South Louisiana Electric Cooperative Association (SLECA) has been operating as a regulated electric utility for more than 62 years. SLECA supplies most of TESI's management. SLECA has invaluable experience in areas such as regulatory issues, ratemaking,

customer service, purchasing, and warehousing, billing, budgeting, and general utility management. With regard to the Mountain Bay system and its operations, TESI has hired William W. Schoening, Jr. to manage the facilities. Mr. Schoening has more than 18 years of experience in operating and managing wastewater and/or water utilities.

Maeder states that Mr. Schoening worked for Johnson Properties before the bankruptcy, and was often at odds with the Company's management, resulting in facilities in better condition which were under his control. Mr. Schoening was later retained by the Bankruptcy Trustee and Corporate Receiver of the estate of Johnson Properties to operate all of the Johnson Properties facilities. In addition, Maeder testified that the Company will hire independent contracting firms, as needed, to assist with repairs of the water and wastewater systems, and to perform all water testing and engineering services. TESI was recently approved by the Louisiana Public Service Commission to acquire and operate the Johnson Properties' utilities in that State.

Maeder states his belief that approval of the transfer of the Mountain Bay assets to TESI is in the public interest, and that TESI has the management expertise and the financing necessary to provide safe, reliable, and adequate service. Maeder states his belief that TESI has the technical, managerial and financial ability to own and operate the systems.

TESI also furnished the testimony of Mr. William W. Schoening, Jr., who describes his 18 years of experience in construction, operations and maintenance, management, collection, and distribution of water and wastewater facilities. Mr. Schoening also states the various areas of improvement needed by the water and

wastewater systems of Mountain Bay, and that he has been in touch with all applicable governmental agencies, both State and Federal, in relation to the plan to purchase and operate the Johnson Properties systems.

Mr. Schoening also stated that, after studying Johnson Properties' operations, it was clear that that company was not serving the public need, nor did it comply with many governmental rules and regulations. TESI and Mr. Schoening make commitments to operate the properties, including Mountain Bay, in a way that a prudent utility should in order to serve its customers. Mr. Schoening pledges to improve the quality of service previously provided to Mountain Bay by Johnson Properties. Mr. Schoening finally states that all of the testimony and exhibits support TESI's technical, managerial, and financial ability to own and operate the Mountain Bay system.

As an additional matter, we would note that TESI is required to file with this Commission a bond with sufficient surety, as approved by this Commission. We would note that "sufficient surety" is defined by Commission Regulations R. 103-512.3.2 and 103-712.3.2 as "any duly licensed bonding or insurance company authorized to do business in this State. A corporate surety, other than such bonding or insurance company, shall not be considered sufficient surety." TESI requests that we waive the definition of "sufficient surety" in this case to the extent that TESI be allowed to file with the Commission a letter of credit to fulfill its bond requirement underwritten by NCSC, and guaranteed by NCSC's parent company, the National Rural Utilities Cooperative Finance Corporation (CFC). Neither NCSC or CFC are bonding or insurance companies authorized to do business in this State. In support of this request for waiver, however,

TESI has filed financial information with this Commission. We have examined this information, and find that these companies are in a good enough financial condition to constitute “sufficient surety” under the regulations cited. Accordingly, we waive the definitions of “sufficient surety” in this case, which would allow the filing of the letter of credit for bond purposes which is underwritten by NCSC, and guaranteed by CFC.

Regulations 103-504 and 103-704 state the standard for the acquisition of wastewater and water utilities, respectively. Both regulations require this Commission to award a certificate, under proper circumstances, that a proposed sale or acquisition of such utilities is in the public interest. Based on the verified testimony in this case, we agree that the acquisition of the Mountain Bay systems by TESI is most definitely in the public interest. The systems in question had fallen into disrepair, impairing Mountain Bay’s ability to properly carry out its functions. TESI is borrowing money to put the systems into better working order, and to run the systems daily on a higher level. We believe that, although TESI is the offshoot of an electric cooperative, it has hired an employee with the expertise to properly run water and wastewater systems in Mr. Schoening. The Company also states that it will hire any other contractors that it needs to hire in order to repair the systems, or to help carry out the daily functions of the system.

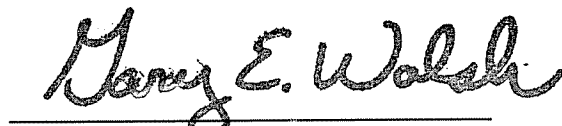
Accordingly, contingent on compliance with all Commission Rules and Regulations, we hereby grant to TESI the requisite Certificate, and approve the proposed transfer of assets. Also, pursuant to our stated waiver above, TESI may file the proposed letter of credit underwritten by NCSC, and guaranteed by CFC as a performance bond.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)